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## **CAFTA Is Vital to Helping Textile Industry Compete**

By Sen. Jim DeMint

Everyone agrees China is America's top economic competitor today. The critical question is: What do we do about it? For starters, we can enact CAFTA — the Central American Free Trade Agreement — which will expand U.S. exports, create more American jobs and help our businesses compete with China.

As someone who spent over 20 years in business before entering public service, I continue to be amazed by those in Washington who support outdated policies that make it harder and harder for American businesses to compete.

Excessive taxation, regulation and litigation are driving American employers out of their minds and American jobs overseas. Yet too many politicians continue to support higher taxes, junk lawsuits and trade barriers that effectively put signs on our beaches that say, "Go do business somewhere else!"

If we are going to have the best jobs in the world, we must make America the best place in the world to do business. This starts by reforming our complicated tax code, reducing mindless government regulations and eliminating frivolous lawsuits that, together, add mountains of needless costs on our businesses.

However, creating a pro-business environment in the United States also means we must open international markets to American exports so our workers can compete on a level playing field.

CAFTA, for example, would expand the market for U.S. goods with 44 million consumers in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, as well as with the Dominican Republic in the Caribbean.

Nearly 80 percent of goods from the six CAFTA countries currently enter the United States duty-free.

Yet our exports are taxed virtually across the board.

On U.S. motor vehicles and parts, CAFTA countries levy an average tariff of 11 percent, while the U.S. rate is zero. On vegetables, fruits and nuts, the CAFTA region's average is 16.7 percent, again compared with zero in the United States. On grains, it is 10.6 percent to zero; and on meat products, it's 14.7 percent while the U.S. rate is just 3 percent. CAFTA would eliminate these disparities.

CAFTA would level the playing field by eliminating 80 percent of the tariffs on American exports immediately, with the remaining tariffs phased out over 10 years.

This would help exporters in South Carolina like BMW, Caterpillar and General Electric, as well as farmers and ranchers raising soybeans, peaches, pork and poultry.

The American Farm Bureau Federation estimates CAFTA could expand U.S. farm exports by \$1.5 billion a year. Manufacturers would also benefit, especially in sectors like information technology

products, agricultural and construction equipment, paper products, pharmaceuticals, and medical and scientific equipment.

According to a recent economic impact study conducted by the U.S. Chamber of Commerce, in the first year alone CAFTA would increase output in South Carolina by \$167 million and create 912 new jobs.

In nine years, the study shows a potential increase in output across all industries of \$701 million and the creation of 6,273 jobs.

Most exporters agree: CAFTA is a great deal for South Carolina business.

Yet there is a small group in the textile industry whose opposition poses a threat to this step forward. They say CAFTA will allow China to exploit a “loophole” in the agreement.

But they fail to explain that without CAFTA there will be no loop at all — just one giant hole that China will use to destroy our industry. The truth is that a vote against CAFTA is a vote for China.

Garment factories in Central America purchase large amounts of American fabric and yarn: The region is the second-largest world market for U.S. textile fabrics and yarns.

Under CAFTA, these garments made in the region will be duty-free and quota-free only if they use U.S. fabric and yarn.

In fact, more than 90 percent of all apparel made in the region will be sewn from fabric and yarn made in the United States, thereby supporting U.S. textile exports and jobs.

This is especially important for South Carolina workers. In 2004, South Carolina’s exports of fabric mill products to the CAFTA region were valued at \$180 million, more than half of the state’s total exports to the region.

If we’re going to continue these exports and not lose the business to Asia, we must pass CAFTA.

The American Apparel and Footwear Association illustrated this point in a recent letter to President Bush where it said, if CAFTA “is not enacted soon, U.S. apparel and footwear companies will place more of their business outside this hemisphere.”

And the National Council of Textile Organizations recently endorsed CAFTA, saying, Central America “is a very important part of the domestic industry’s supply chain and we need (CAFTA) to ensure that the U.S. textile industry can remain competitive against China.”

It’s time to stop saying “no” to every trade agreement, regardless of its demonstrable benefits. We must do more than pretend that we are operating in the business environment of 50 years ago and stand up and fight for a better deal today.

We must pass CAFTA to open markets, expand our exports, and create opportunities for our businesses and workers; our future depends on it.